

**STATE OF INDIANA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS**

ORDER OF INTEGRATION

Re: Application of Robert R. Hill and Bonnie M. Bergstrom) Case No.: DOG-1-2013
For the integration of oil and gas interests owned by eight (8))
unlocatable owners in the Southeast Quarter of Section 18,)
Township 7 South, Range 12 West, Posey County, Indiana)

As provided in Indiana Code 14-37-3-16, an informal hearing was held in this matter on Wednesday, March 27, 2013, beginning at 11:00 A.M. before the Indiana Department of Natural Resources (IDNR), Division of Oil and Gas (Division), at the Indianapolis Office of the Division located at 402 West Washington Street, Room W293, in Indianapolis, IN 46204. The purpose of the informal hearing was to consider the Petition for Integration of Interests (Application) for the above described parcels specifically identified in a petition dated February 12, 2013, prepared by Stephen T. Link, on behalf of Robert R. Hill and Bonnie M. Bergstrom, hereinafter referred to as "Applicant".

Having reviewed the entire record in this matter, and being duly advised, the Director of the Division (Director) makes the following Findings of Fact, Conclusions of Law and Order of Integration:

FINDINGS OF FACT

1. Applicant Robert R. Hill is an individual whose principal address is 8828 Gun Club Road, Mt. Vernon, IN 47620. Applicant Bonnie M. Bergstrom is an individual whose principal address is 8916 Gun Club Road, Mt. Vernon, IN 47620.
2. Applicant currently owns the surface estate and operates 3 wells for oil and gas purposes on property located in the Southwest Quarter of the Southeast Quarter and a strip of land 1 rod wide off the North side of the North Half of the Southeast Quarter of the Southeast Quarter of Section 18, Township 7 South, Range 12 West, containing 46 acres, more or less, Posey County, Indiana, hereinafter referred to as the "Subject Lands".
3. The Subject Lands were previously leased for oil and gas production by various Schrieffer Heirs, the severed mineral owners, to Applicant's father, William E. Hill, by leases dated February 1, 1955. Productive wells were drilled thereon during the primary term and such lease continued to be operated and to produce oil until March 16, 1999. Over the course of the 44 year productive life of the original leases, many of the small, fractionalized royalty owners died and their heirs or devisees failed to establish legal succession, and others became unlocatable for various other reasons, such that by the time production ceased, the crude oil purchaser, Farm Bureau Oil Company (now Countrymark Refining & Logistics, LLC), carried many of the small royalty interests in suspense on their records, subject to escheat.
4. The Applicant was able to locate and re-lease the majority of the former royalty owners (or their successors or assigns) and currently owns valid and operative Oil and Gas Leases covering an undivided 590/720ths or 81.94% of the oil, gas and associated hydrocarbons underlying the Subject Lands. Applicant Robert R. Hill has permitted 3 wells on the Subject Lands which are currently equipped and operable and capable of producing oil in paying quantities. The wells consist of 2 producing wells, (permit #17183 and permit #36315), and 1 injection well, (permit #33990).
5. Despite due diligence and good faith efforts, the Applicant was not able to locate or obtain consent for the

proposed lease of oil and gas rights from the following individuals who are identified in Exhibit A:

- a. Ruth M. Luke or her unknown successors (undivided 4/720ths of oil and gas)
- b. Dale Coffey or his unknown successors (undivided 4/720ths of oil and gas)
- c. Dean Coffey or his unknown successors (undivided 4/720ths of oil and gas)
- d. Duane Coffey or his unknown successors (undivided 4/720ths of oil and gas)
- e. Wesley Schrieffer or his unknown successors (undivided 20/720ths of oil and gas)
- f. Katherine Nolte or her unknown successors (undivided 30/720ths of oil and gas)
- g. Edward Wilsman or his unknown successors (undivided 24/720ths of oil and gas)
- h. Carrie Wilson or her unknown successors (undivided 40/720ths of oil and gas)

Exhibit D contains a summary of attempts to locate each of the above oil and gas interest owners.

6. Collectively, the above oil and gas interests comprise 130/720ths of the interests or 18.06% of the oil and gas underlying the Subject Lands.
7. IC 14-37-9-1(b) requires that, where owners of separate tracts within an established drilling unit do not agree to integrate their interests, the IDNR shall require the owners to integrate their interests in order to prevent waste or the drilling of unnecessary wells.
8. The Petition filed in this matter by the Applicant seeks, pursuant to IC 14-37-9, the issuance of an integration order whereby the interests of all owners of separate tracts within an established drilling unit are integrated and the combined tracts developed as a consolidated production unit. Without the integration of the interests of all owners of oil and gas underlying the Subject Lands, Applicant has represented that it is uneconomic to operate wells on the Subject Lands without participation from all owners of working interests in the Subject Lands.
9. IC 14-37-9-2 requires an integration order to be based upon reasonable terms that give the owner of each tract an equitable share of the oil and natural gas in the unit.
10. An operator of an oil and gas lease is entitled to either: a.) full ownership of the working interests in the oil and gas lease (which is customarily 7/8ths); or b.) full participation costs for the drilling, operating and abandoning of a well to be shared proportionately by all of the working interest owners, if those interests are held separately.
11. Unless an oil and gas interest owner wishes to participate in the sharing of costs for drilling and operating a well, it has been customary for the Division of Oil and Gas to grant a royalty interest of 1/8th to the unleased party.
12. At issue in this matter is whether it would be equitable to grant the Applicant a 7/8ths working interest in oil and gas for the 130/720ths apportioned to the unleased owners identified in Exhibit D.
13. The Applicant attached the following documents to its Petition:

Exhibit A	Description of the Subject Lands and Separately Owned Interests
Exhibit B	Sample Oil and Gas Lease used for the Subject Lands
Exhibit C	Proposed Division Order Distribution of Oil and Gas Interests
Exhibit D	Summary of Location Attempts
14. The Applicant submitted Proof of Publication of Legal Advertisement verifying that on Thursday, February 21, 2013, and on Thursday, February 28, 2013, notice was published in the Evansville Courier and Press newspaper of the date, time, and place of an informal hearing to be held in Indianapolis, IN on Wednesday,

March 27, 2013, commencing at 11:00 AM (Eastern) at the Indianapolis Office of the Division of Oil and Gas. The purpose of the notice was to inform interested persons of the informal hearing and requested information as to the whereabouts of the unleased owners identified in Exhibit D. Interested persons were requested to contact the Division of Oil and Gas with any relevant information as to the whereabouts of the unleased owners by 12:00 noon, on Wednesday, March 27, 2013, and that the intent of the Division of Oil and Gas was to grant a proportionate 1/8th royalty interest to the unleased owners absent any further information regarding the location of these individuals.

15. The following persons were present at the informal hearing held in Indianapolis on March 27, 2013:

<u>Person</u>	<u>Representing</u>
No persons were in attendance at the informal hearing	Stephen T. Link, representing Applicant contacted the Division of Oil and Gas in advance of the informal hearing to indicate that he did not plan to attend since he did not anticipate that any other persons were likely to be attending.

16. The Division of Oil and Gas has received no response from interested persons as to the whereabouts of the unleased owners.
17. Based upon a review of all relevant information, the Applicant has made a diligent attempt to locate each of the unleased owners and any surviving heirs. Accordingly, Applicant and the unleased owners have been unable to mutually agree on terms for the integration of their interests and therefore the Petition should be granted to prevent waste and allow the Applicant to proceed with the operation of wells on the Subject Lands with the benefit of being granted a full working interest of 7/8ths of the oil and gas currently held by the unleased owners which represents 130/720ths of the oil and gas underlying the Subject Lands..

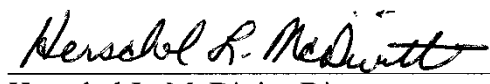
CONCLUSIONS OF LAW AND ORDER OF INTEGRATION

1. IC 14-37-9 and any rules promulgated thereunder apply and are pertinent to the subject matter of the Application filed herein.
2. There has been full compliance with all notice requirements provided by law, and all interested parties have been afforded an opportunity to be heard.
3. The IDNR and the Division have jurisdiction to hear this matter and authority, as delegated by the Natural Resources Commission, to order the integration of interests in accordance with IC 14-37-9-1(b)
4. The Petition, herein referenced, contains the elements required by law.
5. All leaseholds and parcels comprising the Subject Lands identified in Finding #2, located in Section 18, Township 7 South, Range 12 West, Posey County, Indiana, are hereby ordered to be integrated as a single production unit. It is reasonable, fair, and equitable, as required by IC 14-37-9-2, that such division of interest be accomplished as depicted in Exhibit "C" of Applicant's Petition so that unit operations may be conducted as if the unit area had been included in a single lease executed by all owners of oil and gas interests within said unit.
6. Ruth M. Luke or her unknown successors, Dale Coffey or his unknown successors, Dean Coffey or his unknown successors, Duane Coffey or his unknown successors, Wesley Schriefer or his unknown successors, Katherine Nolte or her unknown successors, Edward Wilsman or his unknown successors, and Carrie Wilson or her unknown successors, shall all be entitled to receive a proportionate part of a 1/8th royalty share of all oil, natural gas, and other hydrocarbons produced calculated at the rate specified in Exhibit C for all production from the Subject Lands.
7. As provided in IC 14-37-9-2, the portion of the production allocated to the owner of any tract within the

Subject Lands shall be considered as if produced from a well drilled on that tract.

8. The primary term of this order shall be for a period of five (5) years from the date of this order, and as long thereafter as operations are conducted upon said Subject Lands with no cessation for more than ninety (90) consecutive days. "Operations", for purposes of this paragraph shall refer to any of the following and any activities related thereto: preparing location for drilling, drilling, coring, testing, completing, equipping, reworking, recompleting, deepening, plugging back, de-watering, water disposal, or repairing of a well in search of or in an endeavor to obtain production of oil and/or gas, and production of oil and/or gas whether or not in paying quantities.
9. This order is a final administrative action of the IDNR and, as such, is subject to administrative review under IC 4-21.5-3-7 and may be placed of record by the Applicant in the appropriate public record of Posey County, Indiana.

April 2, 2013
Dated


Herschel L. McDivitt, Director
Division of Oil and Gas

**DIVISION OF OIL AND GAS
DEPARTMENT OF NATURAL RESOURCES**

**NOTICE OF ORDER OF INTEGRATION
NOTICE OF RIGHT TO APPEAL**

Interested persons are hereby notified that on April 2, 2013, the Indiana Department of Natural Resources, through the Director of the Division of Oil and Gas, issued an Order of Integration with respect to certain oil and gas drilling interests under Cause No. DOG-01-2013. The Order of Integration is based on an Petition for Integration of Interests previously filed by the Applicants, Robert R. Hill and Bonnie M. Bergstrom, and on an Informal Hearing held in this matter on March 27, 2013, in Indianapolis, Indiana to consider the request for the integration of working interests for oil and gas underlying certain properties located in Section 18, Township 7 South, Range 12 West, Posey County, Indiana held by the following individuals of record:

1. Ruth M. Luke or her unknown successors.
2. Dale Coffey or his unknown successors, last known address in the State of Washington.
3. Dean Coffey or his unknown successors, last known address in California.
4. Duane Coffey or his unknown successors, last known address in California.
5. Wesley Schriefer or his unknown successors, last known address in Louisiana.
6. Katherine Nolte or her unknown successors, last known address in Kentucky.
7. Edward Wilsman or his unknown successors, last known address in Kansas.
8. Carrie Wilson or her unknown successors, last known address in Florida.

A copy of the Order of Integration is available from the Division of Oil and Gas website at www.in.gov/dnr/dnroil.

The terms of the Order of Integration are subject to appeal and review under IC 4-21.5-3-7 in a hearing before an Administrative Law Judge. In order to qualify for administrative review, a person may file a request for review in writing stating facts that demonstrate the petitioner is:

- (A) a person to whom the order is specifically directed;
- (B) aggrieved or adversely affected by the order; or
- (C) entitled to review under any law.

In order to be timely, any petition for administrative review must be filed with the Division of Hearings, Natural Resources Commission, Indiana Government Center South, 402 W. Washington St., Rm. W272, Indianapolis, IN 46204 within eighteen (18) days after the publication date of this notice. If no petition for administrative review is filed within the stated time limit, all terms and conditions contained in the Order of Integration will become final and binding.

Herschel L. McDivitt, Director
Division of Oil and Gas